Johnson & Higgins

Head Office
95 Wall Street
New York, New York 10005
Tel.: (212) 482-6062

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Johnson Higgins

95 Wall Street

New York, New York 10005

February 1979

Dynamic changes in American society are prompting a searching reevaluation of the nation's retirement patterns and systems. Decisions being made today will have serious implications for the American public — with truly major impact on the labor force, capital formation, corporate health, tax policy, Social Security and all private and public pension systems.

It is imperative that the policymakers formulating these decisions and the people affected thereby, both in the private and public sector, have available to them all the relevant information it is possible to obtain. Accordingly, we recently commissioned a nationwide survey to obtain a sharper focus on retirement problems and what to do about them. Business leaders, policymakers and other interested people will find the survey results most useful in the developing dialogue on these issues.

Richard I. Purnell
Chairman

Robert V. Hatcher, Jr.
President

A nationwide survey of the attitudes of employees, retirees and business leaders toward pensions and retirement.

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PREFACE

The past decade has seen the emergence of major changes in social and economic forces directly affecting retirement. Reaction to these pressures has already produced significant legislation such as ERISA, sweeping amendments to Social Security taxes and benefit levels, changes in sex discrimination statutes and moves toward non-mandatory retirement.

This is a fast-paced ongoing process. Long-term pressures generated by the shift in the age and sex composition of the labor force will be magnified and accelerated by the more immediate pressures caused by an overheated inflationary economy. The future will witness additional major changes in the American retirement system to accommodate these pressures — changes in legislation, in employment practices, in retirement patterns and in the systems used to fund and pay retirement income.

Johnson & Higgins believes these coming changes, and the direction they will or should take, must be hammered out in the real world and not developed solely through theoretical think-tank studies of what is best for America. An essential step in the real world is an examination of the attitudes of the American public, and business leaders, about retirement and retirement income — problems, perceptions, expectations and intentions.

Accordingly, we commissioned Louis Harris and Associates, Inc. to conduct a nationwide survey of American employees, retirees and business leaders to determine these attitudes.

From the beginning of this project we allowed Louis Harris and Associates a completely free hand in the development of the methodology and in the analysis and interpretation of the results. Our input was limited to advice and assistance in designing the survey and drafting the questionnaires, and in the funding of the project. All observations and conclusions which appear in the *Introduction* and *Overview and Summary* sections extracted from the full Report are those of the Harris organization and do not necessarily reflect the views of Johnson & Higgins. The Johnson & Higgins *Commentary*, containing our views, appears separately beginning on page 1.

Major findings having far-reaching implications emerged in these areas:

- Inflation and the quality of retired life
- Mandatory retirement changes
- Attitudes toward private pensions
- Attitudes toward Social Security

In some cases the results are about as expected. But in other cases the results are quite surprising!

This comprehensive survey is unique and most timely. The findings are extensive and should be of major significance to the American public — and, in particular, to governmental policymakers, business leaders, money managers, consultants, actuaries and other professionals who share more fully the responsibility for making the American retirement system work.

Johnson & Higgins is proud to present the result of this landmark survey.

Johnson & Higgins

INTRODUCTION

American Attitudes Toward Pensions and Retirement is a major study of employee, retiree and business leader attitudes toward pensions and the retirement income system in the United States.

In spite of the considerable amount of commentary and public attention it has engendered in the recent past, the issue of retirement and its financial implications is surrounded by as much confusion and uncertainty as ever before. The effects of ERISA, changes in the mandatory retirement law, impending major population shifts, inflation, and the prospect of further pension legislation — all these are contributing to the atmosphere of confusion and creating difficulty for the public and providers of retirement income alike. **American Attitudes Toward Pensions and Retirement** has been commissioned by Johnson & Higgins in hopes of reducing some of the uncertainty which surrounds the retirement income system. The survey findings reported in these pages contain a wealth of reliable information, which, it is hoped, will be both illuminating and useful to policy makers, businessmen, and all those with an interest in the retirement income system in the United States.

Readers will be both consoled and concerned by the findings reported here. The survey brings a clear perspective to many issues confronting the private pension system. Many criticisms of private pensions conveyed by the media are not shared by business leaders or their employees, and both groups have much to say that is positive about pension legislation currently being considered. But some of the results are troubling. Many conventional assumptions are called into question, and the findings point to a number of potentially serious difficulties awaiting retirees and the providers of retirement income in the years ahead.

Above all, the results will set the record straight on attitudes toward retirement and pensions. They cast a much-needed light on the actions, attitudes, and concerns of employees regarding pensions and retirement. They bring into focus the difficulties faced by today's retirees, and suggest several ways the problems might be avoided in the future. Equally important, at a time when Congress is considering major changes in the pension laws, the findings provide a sharp portrait of the business community's attitudes toward ERISA and their concerns about the future of private pensions.

The survey is based on interviews with two separate samples: a national cross-section of 1699 current and retired employees, and a representative cross-section of 212 companies drawn from the Fortune listing and the *Dun and Bradstreet Million Dollar Directory*. The survey of employees consisted of 1330 interviews with full-time employees, and 369 interviews with people retired from full-time work. The focus of the study is on current

and retired employees, rather than the entire adult public, because the former are primary contributors and beneficiaries of the Social Security System, and because they form that portion of the public most affected by pension legislation. For the sample of companies, interviews were conducted with corporate executives designated by their chief executive to speak on behalf of their company about pensions and retirement. All the fieldwork was conducted in August 1978. Details of the sample and methodology are given in the Appendix.

Louis Harris and Associates is grateful for the advice and assistance provided by Johnson & Higgins in designing the survey and drafting the questionnaires. However, the final responsibility for the design and implementation of the survey rests with the Harris firm.

It does not necessarily follow that Johnson & Higgins agrees or disagrees with any of the answers given by the employee or leadership groups, or with any of the observations or comments made in this report.

It should be noted that percentages in the tables may not always total 100%, because of rounding or the acceptance of multiple responses.

OVERVIEW AND SUMMARY OF MAJOR FINDINGS

From among the hundreds of results emerging from these surveys of employees, retirees, and business leaders, four sets of major findings have particularly important and far-reaching implications for the retirement and retirement income policies of government and business:

I. Inflation and the Quality of Retired Life;
II. Mandatory Retirement;
III. Attitudes Toward Private Pensions;
IV. Attitudes Toward Social Security.

The following is an overview and summary of these sets of major findings. Readers should be forewarned that many of the details and nuances of the results are unavoidably lost when summarizing a study of this size. Those whose interest is spurred by the findings below are urged to examine the full report.

I. INFLATION AND THE QUALITY OF RETIRED LIFE

Perhaps the most striking finding in this survey of business leaders and current and retired employees is the pervasive impact of inflation on attitudes toward pensions and retirement income expectations. The rapidly rising cost of living is imposing severe financial difficulties on sizeable proportions of today's retirees, particularly on those who do not receive pension benefits. More than 4 of every 10 retirees, and more than 5 of every 10 retirees who do not receive pension benefits claim that inflation has seriously reduced their standard of living. Current employees are also feeling the impact of inflation, which is limiting their ability to save for retirement while increasing the amount of money they believe they will need during retirement.

Having far-reaching consequences for the providers of retirement income, the pressures of inflation are boosting retirement income needs and expectations. The survey findings, coupled with projections of demographic shifts which will significantly increase the number of employees reaching retirement age beginning in the 1980's, suggest that today's employees are likely to exert considerable pressure for higher benefits from business and government as they approach retirement.

At the same time, however, the findings show that part of the solution to future increases in pension costs may lie with employees themselves. Employees are willing to make contributions to their company pension plans if their contributions can be made in exchange for larger benefits or earlier benefit eligibility. More than two-thirds of the employees interviewed say they would be willing to contribute to a plan, or to contribute more than they do now, if it would increase their retirement benefits. More than anything, employees would be willing to increase their contributions if their plan would provide benefits that increase with the cost of living (74-16% willing). Certainly these findings must be approached with some caution, since the difference between what people will actually accept and what they say they will accept can be considerable. However, at the very least, the findings demonstrate that increased employee contributions in exchange for earlier or larger benefits may provide a way to ease the burden of future retirement income demands.

Below, in summary form, are the major survey findings about inflation and its impact on retirement income expectations and the quality of retired life:

A. Inflation is clearly the number one problem facing retirees and the providers of retirement income today. Retirees have been the hardest hit by inflation, particularly

retirees who are not receiving pension benefits. More than 4 of 10 retired employees say that inflation has seriously reduced their standard of living, and roughly another 4 in 10 say it has reduced their standard of living to some degree. Among those not receiving pension benefits, a full 53% say inflation has seriously reduced their standard of living compared with a smaller 28% holding the same view among pensioners.

Business leaders are also feeling the pressures of inflation. When asked about the disadvantages of pension plans to their company, a sizeable 61% cite increasing costs in an inflationary economy as the main disadvantage.

The government and government spending (Federal, Congressional, state and local) are among the major causes of inflation today according to current and retired employees and business leaders.

B. A majority of retirees are satisfied with the quality of retired life, but for many, retirement is a time of financial hardship. Sixty-five percent of those who are currently retired from full-time work believe the quality of retired life is at least as good as the quality of working life. However, 34% feel the quality of retired life is worse than the quality of working life, and nearly two-thirds of the retirees in this group say that financial problems are at the root of their dissatisfaction.

Over half (58%) of those retired from full-time jobs feel that their current standard of living is at least adequate, but a sizeable 42% feel that their income provides a standard of living which is less than adequate. Having a pension clearly makes a difference in a person's standard of living during retirement. More than half of those (56%) who do not receive pension benefits but just 23% of those who receive pension benefits believe that their current income provides a less than adequate standard of living.

The findings further suggest that many retirees are not able to afford some of life's basic necessities. In response to a question in which retirees were asked what they would do if they had an additional $100 a month, small but significant percentages report that they would buy food (18%), buy clothes (12%), pay off old debts (14%), or go to a doctor or dentist (7%).

C. Spurred by inflation, retirement income expectations are rising, and the providers of retirement income are likely to feel increasing pressure for larger benefits in the years ahead. To current and retired employees, by far the most important of several possible characteristics of pension plans (i.e., guaranteed benefits, portability, vesting, etc.) is that the plan have benefits that go up with the cost of living. A significant 66% list this pension plan characteristic as extremely important, and another 27% call it very important.

D. Though many retirees are dissatisfied with their standard of living, overwhelming majorities of employees and business leaders feel the standard of living during retirement should be about the same as it was before retirement — a goal which may lead to increased demands for higher and more liberal benefits as inflation continues to erode retirement incomes. Eighty-one percent of current employees and 84% of retirees feel that the standard of living during retirement should be about the same as before retirement; only 8% of each group think the standard of living during retirement should be higher than before retirement. This is in dramatic contrast to the 42% of retirees that feel that their income provides a standard of living which is less than adequate. And while nearly 2 out of 10 business leaders think retirement income should be less than pre-retirement income, a high 82% feel it should be about the same as before retirement.

E. Employees are willing to contribute to their pension plans, or to contribute more than they do now, in exchange for various types of additional pension benefits.

Sixty-eight percent of the employees interviewed would be willing to increase their contributions if it increased their retirement benefits. Employees say they would be most willing to increase their contributions to their pension plan if the plan provided benefits that increased with inflation and the cost of living (74-16% willing). By smaller margins, employees say they would be willing to increase contributions if their plan let them become eligible to receive benefits at an earlier age (61-27%), if the plan had a 100% guarantee that they would receive pension benefits regardless of investment performance (60-29%), and if the plan provided survivor's benefits to their spouse (58-31%).

II. MANDATORY RETIREMENT

Though the survey findings point to mounting financial pressures on retirees and the providers of retirement income in the years ahead, they also reveal a trend that, in the long run, may significantly lessen the pressure on retirement benefit costs. Stemming from a number of economic and demographic trends as well as the recent change in the mandatory retirement law, the current trend toward early retirement may be reversed in the not-too-distant future. More than half of today's employees would prefer to continue working — either full-time or part-time, at the same job or a less demanding job — instead of retiring, and just less than half say they actually plan to continue working and defer retirement. Also, workers between 18 and 49 years of age are significantly less likely to look forward to retiring than older workers. This may be a perception that will change as workers grow older, but it also may point to an increasing preference for deferred retirement as the work force ages.

A. Pushing back the mandatory retirement age from 65 to 70 is welcomed by both current and retired employees and the business community, but only total abolition of mandatory retirement will satisfy public opinion. A large majority of current and retired employees and a smaller but still substantial majority of business leaders are firmly opposed to any mandatory retirement age whatsoever. By 88-10%, current employees believe that "nobody should be forced to retire because of age, if he wants to continue working and can still do a good job." The same view is held by 2 of every 3 (67%) business executives interviewed.

B. While a majority of employees look forward to retirement, significant percentages would prefer to work — either full-time or part-time, at the same job or a less demanding job — as an alternative to retirement. More than 1 in 4 (26%) employees would prefer to retire when they reach the normal retirement age for their employment. Another 22% would like to retire before they reach the normal retirement age for their employment. However, a total of 51% say they would prefer to continue with some type of employment.

Though older workers are more likely to say they look forward to retirement than younger workers, there is little difference between the two groups in actual retirement intentions. Roughly half (48%) of those between the ages of 50 and 64 say they intend to continue working instead of retiring, as do an almost equal percentage of younger workers. Among workers between 50 and 64, 95% are covered by Social Security, 62% are covered by a private pension plan, and 28% are covered by a government employee plan.

C. A substantial percentage of today's retirees voice a strong desire to work during or instead of retirement. Nearly half (46%) of today's retirees would prefer to be working, while an even half (50%) would not. Not only would significant numbers of retired people prefer to work, but more than half would have preferred to continue work-

ing instead of retiring. Assuming they had an adequate retirement income, 31% of current retirees would have preferred to retire when they reached the normal retirement age. Another 12% would have preferred to retire before they reached the normal retirement age. A majority of 53% would have preferred to continue in some kind of employment.

III. ATTITUDES TOWARD PRIVATE PENSIONS

Both before and after the Employee Retirement Income Security Act of 1974, private pension plans have been criticized for being financially unsound, for promising what they may not be able to deliver, and for various inequities in the way employees become eligible for benefits. Whatever the possible merits of these criticisms, they are not, for the most part, fully shared by people currently covered by private pension plans. Most employees (78%) claim to be basically satisfied with the way their plans are designed and administered. And while approximately 1 in 3 (31%) express less than full confidence in their plans, a 68% majority have a great deal of confidence that their plans will pay the benefits to which they are entitled upon retirement. Of those who are not fully confident, only 6% have no confidence at all in their plans.

At the same time, these positive attitudes cannot be interpreted as public acceptance of the status quo in the private pension system. While employees say they are satisfied with plan design and administration, many place a high priority on types of provisions which are not found in most private plans today. Foremost among these are cost of living benefits, which are likely to become an increasingly central focus of employee demands if high levels of inflation persist, benefits which will permit the same standard of living as before retirement and survivor benefits.

The Employee Retirement Income Security Act has brought substantial changes in the types and amounts of information about pensions given to employees. The survey findings show that receiving information about their pension plan is extremely important to employees, but employees and employers have widely divergent views as to the types of information that should be reported. Employees place a higher priority than employers think necessary on receiving information about the current financial status of their pension plans in areas such as where funds are being invested, who is managing the funds, and the return on investment. However, it should be noted that employees are generally satisfied with the information they currently receive, and majorities say they find the reports they receive from their employers understandable and helpful. While the contents of reports may be improved, the limiting factor in employee knowledge about pension plans is not the reports themselves but that many employees fail to read them.

In the final analysis, having a pension plan at work is extremely important to today's employees. While employers and employees are not without criticisms of private plans, if anything, the findings suggest that both groups would favor an expansion of the private pension system:

A. Having a pension plan is a high priority among current employees. By 80-16%, employees feel that *"every employer should be required by law to provide a reasonable pension plan for his employees."* Employers have generally favorable attitudes toward pension plans and see many advantages in them for their company. However, they disagree that they should be required by law to provide such plans by 67-33%.

B. Employees covered by private plans voice relatively high levels of satisfaction with the way their plans are designed and administered, and a majority (68%) have a great deal of confidence that their plans will pay them the benefits to which they are entitled when they retire. Seventy-eight percent of those covered by private

plans are at least somewhat satisfied with the way their plans are designed and administered, while 16% are at least somewhat dissatisfied. Although a commendable two-thirds of private plan participants have a great deal of confidence in their plan's ability to deliver, 25% are less than fully confident. Six percent have no confidence in their plan at all.

C. **Private pension plans get generally high ratings from business leaders when compared with plans for government employees, union plans, and Social Security.** Current and retired employees are mildly positive about private plans, but they are most positive about plans for government employees. Similar to business leaders, current and retired employees are most negative about union plans and Social Security. Business leaders, not surprisingly, are most positive about private plans, believing them to offer the highest benefits for the money contributed, and to be the best run. Business leaders are highly negative in their views toward union plans and Social Security, claiming that they are the sources of retirement income most in need of change.

A plurality (33%) of current and retired employees feel that plans for government employees offer the highest benefits for the money contributed and (by a 36% plurality) would prefer this type of plan over all others if they had to rely on only one plan for all their retirement income. Like business leaders, current and retired employees hold generally negative views of union plans and Social Security.

D. **While employees say they are generally satisfied with plan design and administration, many place a high priority on types of provisions which are not found in most private plans today.** By far the most important feature to have in a pension plan, according to current and retired employees, is a provision for benefits which increase with the cost of living. A striking 93% list this characteristic as at least very important. Sizeable majorities also feel it is at minimum "very important" to have guaranteed benefits regardless of investment performance, and to have survivor benefits. Business leaders consider cost of living benefits to be much less important than do current and retired employees. Instead, they feel it is most important that employees be guaranteed benefits regardless of investment performance, and that employees be guaranteed to receive vested benefits if they leave the job before retirement. Business leaders share the views of employees about the importance of having a provision for survivor benefits in pension plans.

E. **Many employees, retirees, and employers would favor changes in the pension law to permit tax deductible employee contributions.** Nearly half (49%) of the working and retired public would favor a change in the pension law which would permit employees to contribute to pension plans at work and deduct their contributions from federal taxes until they retire, while 28% would disapprove of the change. The proposal receives strong support in the business community, where 89% say they would approve of a law permitting tax-deductible employee contributions to pension plans at work.

Employees and employers would also welcome a law permitting the establishment of tax deductible IRAs along with participation in an employer pension plan.

F. **While a majority of employees say they would be willing to contribute to their pension plan, most employers do not think they should be required to do so.** Just 26% of the leaders interviewed say employees should be required to contribute to their pension plan and 72% say they should not.

G. **Though employees are relatively satisfied with the pension information they currently receive, business leaders widely misjudge the importance employees place on certain types of information about their pension plans.** Among employees who read their most recent pension report, substantial majorities believe it is "very important" that

they receive information about the current financial status of their plan (83%), where pension funds are being invested (60%), who is managing pension funds (60%), and the return on investment (59%). However, among business leaders whose employees receive annual reports, just 38% feel it is "very important" that the report contain information about the current financial status of the plan, and less than 20% believe it is important to include information about who is managing the funds, where the funds are invested, and the return on investment. Nonetheless, majorities of those who have read their last pension report rate it positively for the information provided.

H. Many private pension plan participants are familiar with some of the basic provisions of their plan, but the results show that there is ample room for improvement in their knowledge. Most seem to know whether or not they are vested, though substantial minorities were uncertain or incorrect about vesting criteria. Also, more than half are uncertain about the size of their monthly retirement benefit. Even among those who are relatively close to retirement (50 to 64 years old), 58% do not know the approximate size of their monthly retirement benefit.

I. Portability: employees have mixed views as to how their pension benefits should be handled if they change jobs before retirement. A narrow 34% plurality feel that their accrued benefits should be kept in their original pension plan and the benefits paid out when they retire. Thirty-one percent would prefer that the money be transferred to a separate account of their own, like an IRA, and paid to them when they retire, while an almost equal 29% would prefer that the money be transferred to their new pension plan. Only 2% of employees covered by a pension plan and 1% of business leaders would prefer that the money be transferred to the federal government until retirement.

J. Integrated benefit formulas, by which the amount a person will receive from Social Security is taken into account when determining the size of his pension benefits, are met with opposing views by business leaders and current and retired employees. By 77-22%, a majority of business leaders feel that Social Security benefits should be taken into account when determining the size of a pension benefit. But by 55-37%, a majority of current and retired employees believe that Social Security benefits should not be taken into account.

IV. ATTITUDES TOWARD SOCIAL SECURITY

A large majority of today's work force expects to receive income from Social Security when they retire. Yet substantial numbers, particularly among younger employees, have little confidence in Social Security's ability to pay their retirement benefits. More than 8 out of 10 current employees have less than full confidence that Social Security will pay them benefits to which they are entitled when they retire; 42% have "hardly any confidence at all."

The findings suggest increased political pressure on Social Security in the future, much of which may be in the form of an increased demand to use general revenues or other revenue sources to fund Social Security. A majority of current and retired employees generally agree that, if necessary, more money should be collected from working people so the income of retirees can keep up with inflation. This, coupled with the growing numbers of employees who will be retiring in the years ahead, suggests an upward demand and increasing political pressure for larger Social Security benefits and, consequently, higher Social Security taxes. Moreover, while 45% of current and retired employees feel that Social Security benefits should be paid out of Social Security taxes, 47% feel that at least part of the money should come from other taxes.

Employees and retirees want the Social Security System to work, and most (76%) want it to work as was originally intended — a program to provide a basic level of retirement income that will supplement other retirement income sources. What is needed, the findings suggest, are ways to restore the public's confidence in the Social Security System.

A. The vast majority of the working public are relying on Social Security for income during retirement, yet many are skeptical about the system's ability to pay out future retirement benefits. Eighty-seven percent of today's employees expect to receive benefits from Social Security when they retire. However, more than 4 out of 5 employees have less than full confidence that Social Security will be able to pay the benefits owed them when they retire, and more than 2 out of 5 have hardly any confidence at all. Moreover, employees list Social Security over government employee plans, private plans and union plans as the source of retirement income most in need of a change for the better.

B. Current and retired employees feel strongly that Social Security benefits should be increased with the cost of living, as is done now, but they have mixed views as to what moneys should be used to provide benefits to current and future retirees. Eighty-six percent of current and retired employees feel that Social Security benefits should increase at least as fast as the cost of living over the next five years, while only 9% believe they should be kept the same. With a view sharply divergent to that of business leaders, a narrow plurality (47%) of current employees and retirees feel that at least part of the money for Social Security benefits should come from sources other than Social Security taxes: 42% feel that part should come from other taxes, and 5% that *all* benefits should come from other taxes. By 79-20%, business leaders feel all Social Security benefits should be paid from Social Security taxes.

C. A 76% majority of current and retired employees believe that Social Security should provide a basic level of retirement income, while 17% believe it should provide all retirement income. Among those who feel Social Security should provide a basic level of retirement income, 22% believe it should provide a basic level of income regardless of pre-retirement income and 31% believe that it should provide a basic level of income while taking previous income into account. Another 23% feel Social Security should provide a basic level of income which should be used as a supplement to other retirement income. Part of the reason for low interest among current and retired employees in having all retirement income provided through Social Security is a lack of confidence in the government's ability to manage such a program. Nearly half the respondents (49%) have hardly any confidence in the government's ability to run a program in which all retirement income would be distributed through the federal government and funded by taxes.

ADDITIONAL FINDINGS

BUSINESS ATTITUDES TOWARD ERISA

1. Business leaders have mixed views on ERISA: in general, they rate the law negatively, yet they hold strongly positive views toward a number of the law's basic provisions. Negative business attitudes toward ERISA stem primarily from the time, paperwork, and costs required to administer a plan. Many of the major criticisms frequently heard about ERISA, such as its effect on investment performance, fiduciary standards, and pension eligibility requirements, are not shared by the sizeable percentages of the country's business leaders who are involved with company pensions. ERISA's fiduciary standards, for instance, receive a 76-21% positive rating from business leaders. The law's vesting requirements are rated positively by 90-10%. Also viewed favorably are ERISA's pension eligibility requirements (78-20%), joint and survivor benefit regulations (87-10%), funding standards (76-16%) and plan termination insurance (58-36%).

Overall, however, businessmen give the law a 61-38% negative rating. The reason for this rating lies primarily with the law's reporting and disclosure requirements, and the cost, paperwork, and executive time which they engender. ERISA's reporting and disclosure requirements meet a strong 71-28% disapproval among business leaders. By 57-34% leaders say ERISA has a negative impact on the time it takes executives to deal with pension matters. And the law is thought to have had a negative impact on a company's cost of having a pension plan, by 54-30%.

2. A full 69% of the leaders interviewed feel that ERISA has had little or no effect on the basic investment strategy for their company's pension fund. Another 14% claim that the funding and fiduciary requirements of ERISA have resulted in different, but not necessarily more conservative, investment strategies for pension funds. Just 15% charge that ERISA's funding and fiduciary requirements have resulted in more conservative investment strategies for their company.

BUSINESS ATTITUDES TOWARD PENSION FUNDING AND UNFUNDED LIABILITIES

1. Most business leaders feel their company's pension plan is at least adequately funded. In terms of the benefits that have been promised, 69% claim their company's plan is well-funded, 29% claim it is adequately funded, and only 2% say their plan is under-funded. Generally, the larger the percentage of vested liabilities which are unfunded, the less positive business leaders are about the adequacy of their plan's funding.

2. Fifty-six percent of the companies in the sample have some portion of their vested pension liabilities which is unfunded and 44% do not. Thirty-four percent of the firms have unfunded vested liabilities amounting to 25% or less of their total vested liabilities, 17% have unfunded vested liabilities of between 26% and 50% of total vested liabilities, and 4% have unfunded vested liabilities which account for more than half of their total vested liabilities.

3. Business leaders are considerably concerned about the problem of unfunded pension liabilities, but they are generally not alarmed. Many feel that the problem has been overblown, and that liabilities will be reduced by better investment results and amortization over a number of years. Still, a small but substantial minority are deeply concerned about the problem. Sixteen percent say unfunded pension liabilities are a major concern to their company, and a further 38% say they are a minor concern.

4. By 66-19%, business leaders feel pension funds should be invested wherever they bring the largest return, regardless of the social policies of the companies or countries in which they might be invested. Employees covered by private pensions are nearly evenly split on the issue, with a narrow plurality favoring investing funds wherever they bring the largest return if following socially desirable investment policies meant retirees would receive lower pension benefits. It should be noted that a substantial minority feel strongly that funds should not be invested in companies or countries with socially undesirable policies.

PRE-RETIREMENT PLANNING

1. The experience of today's retirees shows that pre-retirement planning is critical to a secure retirement: current retirees who had inadequately planned for their retirement are considerably more likely than others to have an inadequate amount of retirement income. Among those who feel they had done enough planning, for instance, 10% claim their income is less than adequate. But the same claim is made by 56% of the retirees who say they had done far too little or no planning at all.

2. Sizeable percentages of today's employees feel they have done little planning and made few preparations for their retirement. This is true for older as well as younger employees. Thirty percent of current employees have done no planning at all for their retirement, as have a smaller but substantial 20% of those between the ages of 50 and 64. Forty-eight percent of employees between 50 and 64 years of age (and 58% among all employees) have not given any thought to how much money they will need when they finally retire. More than 1 in 5 of these older employees intend to retire without a pension.

GOVERNMENT EMPLOYEE PENSION PLANS

Strong majorities of current and retired employees and of business leaders feel that public pension plans should be subject to the same regulations for funding, reporting, and eligibility requirements as are private pensions. Public plan compliance with private plan regulations is favored by 68% of current and retired employees (14% opposed), and by an overwhelming 93% of business leaders. Moreover, such compliance is favored by a sizeable 65% majority of employees currently covered by public plans and opposed by only 18%.

DOUBLE DIPPING

There is only mild public opposition to the practice of double dipping. By 51-42%, a narrow majority of current and retired employees believe that people who retire after 20 years of service on a government job should be able to collect a government pension while working at a second job. Business leaders take an opposite view, believing by 50-30% that retired government workers should not be able to collect a government pension while working at a second job. Lastly, both current employees and retirees as well as business leaders feel that people who retire after 20 years of government service and who then work and retire from a second job should be able to collect two pensions — one for each job they have had.

JOHNSON & HIGGINS
COMMENTARY

The study of a social issue as complex as retirement requires a constant effort to avoid losing sight of the main question. It is quite easy to become side-tracked while examining many of the interrelated sub-issues and the mass of facts and opinions which are elements of the overall problem.

Economics, labor force composition, capital formation, demographics, political realities, productivity, inflation, taxation and funding must be considered along with past performance and current attitudes in order to evaluate the potential future directions this issue could take.

For the sake of establishing a framework in which the available information can be organized and evaluated, J&H would hypothesize that:

> A coordinated retirement policy should aim for an adequate retirement income, upon retirement and thereafter for a worker and spouse, taking into account all available sources of income.

This framework specifically excludes the broader question of income transfers based on need without regard to prior employment, length of service or past earnings. While some retired employees may need such assistance, income transfers of this type are not related to retirement per se. It is not possible to provide all perceived social income needs through a retirement system. The question under study should not be obscured by blending it into a larger problem.

The elements of the theorem can be used to arrange available information under the following categories:

What is an Adequate Retirement Income?

- at the time of retirement
- during the period of retirement

What Should the National Policy be Toward Retirement Age?

- employment beyond age 65
- intentions of employees

How Should Retirement Income be Defined and Determined?

- what type of income should be replaced
- should benefits be based on earnings or need

What Should National Policy be Toward . . .?

- personal savings for retirement
- integration of private pensions and Social Security
- portability
- mandatory pensions

How Should Retirement Income Sources be Funded?

- private pension plans
- public plans (for government employees)
- Social Security

What is an Adequate Retirement Income?

Should "adequate" be measured in comparison to pre-retirement spendable income, pre-retirement standard of living, desired standard of living or something less?

The overwhelming majority of employees (89%), retirees (92%) and employers (82%) believe that the post-retirement standard of living should be equal to or better than the pre-retirement standard of living. This goal is optimistic and will become less realistic as the retiree to worker ratio increases in future years and inflation takes its toll.

A more achievable goal would seem to be one where the combined retirement income available from a pension plan and Social Security provides a standard of living somewhere between "comfortable subsistence" and the pre-retirement standard. This would then be supplemented by personal savings and other assets.

The adequacy goal should be defined in terms of a percentage of the spendable after-tax income level shortly before retirement, weighted to favor the lower paid individual. Ideally, the initial benefit would be adjusted, within the constraints of financial feasibility, for post-retirement increases in the cost of living. 93% of employees and retirees and 51% of business leaders believe it is important that pension plan benefits increase as the cost of living goes up.

Even with the more optimistic pre-retirement standard of living in mind, the study shows that 76% of retirees who are receiving pensions claim to have a standard of living which is adequate or more than adequate while only 43% of retirees who do not receive pensions feel the same way.

This means the overall system needs improvement because a substantial minority claim to have a less than adequate standard of living to some degree – 23% of pensioners and 56% of those who are not receiving pension benefits.

These results also highlight the dramatic difference in the standard of living between those retirees who are receiving pensions and those who are not and clearly shows:

(A) Social Security has not, in the aggregate, provided adequate retirement benefits to the American public. The stated intention of the Social Security system initially was to provide only a basic floor of protection.

(B) Pension plans have, to a very large degree, done the job they were designed to do — i.e. bridge the gap between a basic level of Social Security benefits and an adequate standard of living. This is true despite the fact that retiree expectations are high and current retirees have by and large, retired under less generous plans than will future retirees.

The pension system already covers a large majority of employees:

(A) 60% of current workers are covered by private plans (about 7 out of 10 who work in the private sector) and 23% by public employee plans.

(B) Of employees age 50 and over, 62% are covered by private plans and 28% by public plans.

NOTE: There may be some duplication of those covered by private and public plans — e.g. "Double Dippers".

The pension system must be expanded to cover an even larger percentage of employees. The federal government is moving in the right direction by encouraging simplified pension plans and IRA accounts to fill the coverage gap among employees of small employers.

Assuming employees are covered by a pension plan and Social Security, which together provide an adequate standard of living at retirement, there remains the problem

of how to maintain this standard in a period of sustained, high-level inflation. 84% of current retirees claim that inflation has reduced their standard of living. We believe that this is a major problem that must be dealt with by the private pension system.

One scenario that pops up as a trial balloon from time to time runs as follows:

(A) Private pension plans cannot keep pace with increases in the cost of living;

(B) Social Security is indexed to the cost of living;

(C) Therefore, we should eliminate private pensions, with their tax "subsidies", and provide all retirement income through Social Security.

We believe the survey shows a number of major defects in this line of thought.

(A) The Social Security system cannot provide the level of benefits needed to maintain an adequate standard of living. Simply maintaining the present levels of replacement ratios would eat up an estimated 21% (excluding Medicare) of covered payroll by the end of the first quarter of the next century. Only 30% of employees and 49% of business leaders agree that the 1977 Amendment increasing taxes was the proper approach. Clearly, the wage-based Social Security tax is approaching an upper limit of tolerance — politically and economically.

(B) Most Americans would not want the Social Security system to provide all their retirement income. Only 17% of current and retired employees would favor this approach. 42% of current employees have hardly any confidence that the Social Security system will be able to pay their benefits when they retire.

(C) The pension system is making a major contribution toward mitigating the impact of inflation. 53% of retired employees who are not receiving pension benefits claim that their standard of living is being seriously reduced. Only 28% of retired employees who are receiving pension benefits are feeling the same degree of impact.

(D) There is a widespread distrust on the part of workers and business leaders in the government's ability to manage Social Security. As an indication of this, 32% of current employees and 37% of business leaders would, if given a choice, get out of the system.

The underlying question is whether a sufficient portion of the real wealth (goods and services) being produced currently can be allocated to maintain the standard of living of current retirees. If the economy can afford this, it can be done through private and public pensions as adequately in the future as this survey shows has been done in the past. If the economy cannot afford this allocation of current wealth, eliminating private pension plans and promising fully adequate and indexed benefits from Social Security or other governmental programs will not work. All that is accomplished is deferral of the cost of current benefits to future generations of wealth producers — at a time when the retiree/worker ratio is beginning to increase. If too much of a burden is shifted to the future, the succeeding generations of workers may simply refuse to honor the "pledges" of their predecessors.

The real problem is inflation — not pension plan adequacy. If the inflation problem itself is not solved, government retirement benefit schemes can only hide and defer the true cost. While pension plans cannot solve the problem of inflation, the private pension industry has developed a number of techniques that mitigate the full impact of inflation on retirement benefits. Plan sponsors should utilize available techniques within the limits of available funds, lest the perceived benefit gap be filled by a federal deficit-financed scheme which would assure continuation of the vicious inflation spiral.

In addition to existing techniques, one new approach to be explored would be to earmark employee contributions to provide some cost-of-living protection as the initial benefit provided by the plan begins to be eroded by inflation. This approach would be more attractive if the employee contributions were deductible for federal and state income tax purposes. The study shows that 68% of plan participants state they would contribute if it increased their retirement benefits.

Johnson & Higgins believes that an employer achieves good results in employee benefits with features that are valued and appreciated by plan participants. Pension plan provisions that come to grips with the inflation problem will address what the survey shows is the principal concern of participants. It is likely that pension plan improvements of this type will be the most effective.

What Should the National Policy be Toward Retirement Age?

The conventional wisdom regarding the impact of the recent amendment to the Age Discrimination Act of 1967 on retirement ages holds that:

- there is a well-established trend toward early retirement.
- changes in the mandatory retirement age will not affect the number of employees who retire before normal retirement age.
- it will have little effect on the percentage of employees who will work beyond normal retirement age.
- the overall impact on pension plans and costs will be minor.

The responses obtained from the employees and retirees themselves cast great doubt on the long-term accuracy of this conventional wisdom. Only 47% of all current employees (52% of private pension plan participants) say they intend to stop working on or before normal retirement age. Another 8% in both categories intend to retire and take a job with another employer. In addition to this 8%, approximately 41% of employees and 38% of private pension plan participants say they intend to work as long as they can at the same job, a less demanding job or a part-time job.

This surprising result among active employees correlates with the preferences of retired employees — 46% of whom would prefer to be working now and 53% of whom would have preferred to continue working instead of retiring.

It is not determinable whether most employees will do what they say they intend to do. It does seem abundantly clear that a far greater number of older employees than employers have anticipated will continue in the work force in some capacity.

It is difficult to forecast accurately how this will impact costwise on private retirement income plans. There will be no plan savings for the 60% of plan participants who intend to retire on or before normal retirement age. Unless the plan provides a credit for post age 65 service, there should be a savings for the 17% who intend to remain full time in the same job or in a less demanding job. The 21% who intend to remain in part-time employment will probably represent modest savings only. They would most likely not take part-time work with the same employer if it meant the loss of current pension payments.

The effect of continued employment on the Social Security system will depend on the earnings limitation test, the extra credit for working beyond age 65, additional Social Security taxes paid during "post retirement" employment and any future changes in the retirement age to qualify for full benefits.

With the emergence of a substantial number of employees who intend to remain in employment at the older ages, the demographic shift in the retiree/worker ratio and

sustained inflation, a number of approaches will undoubtedly be evaluated by Congress and by employers:

- a gradual deferral of the age at which unreduced pension and Social Security benefits commence
- require additional pension credits for employment beyond age 65
- elimination of inducements for early retirement under private and public pension plans and greater reliance on personnel practices to weed out lagging performers.

How Should Retirement Income be Defined and Determined?

Retirement income from Social Security and pension plans should be limited to the replacement, to a worker and spouse, of income lost because of a permanent removal from the working force by reason of retirement due to age or permanent disability.

The survey showed, however, that eighty-three percent (83%) of both employees and business leaders believe that it is very important or extremely important that a pension plan provide survivor income benefits to the spouse of a deceased employee. This is a proper and desirable benefit for employees who have or could have retired and started receiving benefits.

Nevertheless, we believe that a retirement income system should not be used to provide for other types of income needs not related to retirement — such as death benefits to dependents, health benefits or sick pay. The issue of retirement and retirement income maintenance must be clearly defined and limited if a national policy is to be developed. Interjecting tangential income needs into the retirement issue merely serves to divert attention and funds from the main problem.

If pension plans are mandated to provide pre-retirement death benefits and other types of benefits not specifically related to retirement income, then the primary objective of retirement income maintenance is lost. Furthermore, funds which could have been used to increase retirement income would be diverted to other uses.

Responses from employees and business leaders on the determination of retirement income levels lead to a consensus that:

- Social Security benefits should provide a basic level of retirement income
  (76% of employees and 98% of business leaders).
- this basic Social Security benefit should be related to the worker's previous income or should supplement other retirement income
  (54% of employees and 77% of business leaders).
- pension plan benefits should be based on earnings and length of employment
  (58% of employees and 90% of business leaders).

When asked whether a basic level of retirement income, regardless of pre-retirement income, should be provided

(A) from Social Security,
  only 22% employees and 21% business leaders said yes, and

(B) from pension plans,
  only 28% employees and 5% business leaders thought so.

This consensus reflects a broad structure for determining retirement income benefits.

- a basic level of retirement benefits paid from Social Security geared to prior earnings but with a minimum benefit amount.
- a pension plan benefit based on prior earnings and employment with a supplemental minimum benefit where needed to reinforce the Social Security minimum.

This retirement income would be supplemented by personal savings and other assets. If any benefits are to be payable solely on the basis of need without a relationship to prior earnings they should come from an income-transfer system other than Social Security and should not be confused with the retirement income maintenance supported by payroll taxes and pension plans.

National Policy Issues

The survey shows that 54% of employees believe they should share some responsibility to provide for their retirement income along with the government and/or the employer. A substantial 39% believe the government and/or their employer should bear the whole burden while 7% are not sure.

This 39% who feel that employees have no responsibility for providing for their own retirement income represents a clear danger signal for a national retirement income policy. This attitude is reflected in figures reported in a recent study showing that Americans save far less than citizens of other industrial countries and that the rate of savings is decreasing. In 1967, consumer savings in America totalled 7.5% of consumer after-tax income. This dropped to 5.1% in 1977. All other industrial countries in the report (Canada, Britain, West Germany, France and Japan) showed increases in the savings rates. By 1977 Canada with the lowest rate, was saving 9.8% and Japan, with the highest rate, 21.5%.

The statistics for American savings rates can be attributable to many elements — erosion of purchasing power through inflation, slow-down of the economic growth rate, more comprehensive social programs, lack of tax incentives to save — but the trend confirms a growing unwillingness or inability of Americans to save for their own retirement.

This is a particularly disturbing trend when coupled with a possible peaking of the ability of the Social Security system to raise additional funds by payroll taxes and the ever-present demand on pension plans for increased benefits and cost-of-living protection.

Johnson & Higgins feels that any long-range policy for a retirement income system must re-emphasize the responsibility of the employee to share in the cost of providing his own retirement security. This policy should be supported by tax incentives for individual retirement plans and for employee contributions to employer-sponsored pension plans.

In response to the question of whether Social Security benefits should be taken into account when determining the amount to be received from a pension plan — that is, whether private pension plan benefits should be coordinated ("integrated") with Social Security benefits — 55% of all employees and 22% of business leaders said no. 60% of workers covered by private plans and 67% of those covered by public plans said no.

Interestingly enough, however, when asked how the post-retirement standard of living should compare with the pre-retirement standard of living, 81% of employees and 82% of business leaders replied that they should be about the same. (Only 8% of employees and no business leaders believed it should be higher).

This combination of responses is contradictory and shows a lack of understanding of the interplay of Social Security with pension plans. If the consensus is that the post-retirement standard of living should be relatively the same as the pre-retirement standard of living then both Social Security benefits and pension plan benefits must be taken into account and coordinated.

For example, consider a pension plan which provides a benefit of $10 per month for each year of employment (a typical benefit level for a "non-integrated" plan). An average employee who retires in 1980 with 30 years of service would receive an annual benefit of $3,600. When added to the amount ($7,973) of Social Security benefit payable to a worker and spouse (assuming the worker earned the average wage covered by Social Security, about $11,000 in 1979), this produces a combined (integrated) retirement income of $11,573. This means a total income of about 105% of pre-retirement gross income and 128% of pre-retirement spendable income.

Now consider a pension plan which integrates directly in the plan formula. For example, a plan that provides 50% of the final five-year average pay reduced by 50% of the primary Social Security benefit after 30 years of service. The same worker earning the average covered Social Security wage would receive a plan benefit of $2,343 plus $7,973 from Social Security for a total "integrated" retirement income of $10,316 — about 94% of pre-retirement gross income and 115% of pre-retirement spendable income.

The point is that Social Security benefits do exist whether taken into account or not. Only by taking them into account in designing pension plan benefits can a combined retirement income program be produced that meets the standard of living objective. It should also be noted that the combined retirement income favors lower-paid employees because it replaces a higher percentage of pay at the lower income levels.

Another point of considerable interest on the subject of sources of retirement income arises from attitudes on portability. Thirty-four percent (34%) of employees would prefer to have their old pension plan hold the accrued benefits if they were to change jobs; 29% would prefer that the funds be transferred to their new plan; 31% would prefer that the funds be transferred to an individual account, like an IRA.

Only 2% of employees would want their funds transferred to the federal government pending their retirement. This chilling lack of enthusiasm for transferring private pension funds to the federal government coincides with the need to maintain these accumulated assets in the capital-generating private sector.

The issue of mandatory pension plans is one that will take considerable study. While 80% of employees feel that every employer should be required to provide a reasonable pension plan for his employees, only 33% of business leaders agree. As previously mentioned, the survey shows that for employees near retirement (age 50 and over), 62% are covered by private pension plans and 28% by public pension plans — leaving relatively few employees without pension coverage at retirement. Johnson & Higgins believes that the private pension system is an essential part of an overall retirement income system and that coverage of employees in private pension plans is to be fully encouraged. But a mandated "minimum pension plan" law could result in many small businesses closing up entirely. We think that national policy should continue to provide tax incentives for employees of small employers to establish individual retirement accounts and should develop incentives for small employers to establish pension plans. A variety of vehicles will be needed to maximize coverage among this group.

How Should Retirement Income Sources be Funded?

Private Pension Plans

The "broken promise" atmosphere of the early 1970's seems to have cleared. 93% of plan participants have confidence that their plan will pay their promised benefits and 78% of plan participants are basically satisfied with the way their plans are designed and administered.

The funding status of private pension plans is not a major concern for most companies, does not impose a burdensome cost on employers, and pension plans are, for the most part, adequately funded to pay the promised benefits.

Survey results show that the contribution to employee pension plans, including profit sharing and thrift plans averaged 11% of payroll for 193 responding companies. A separate survey conducted by Johnson & Higgins among a very large sample of Fortune 500 companies shows an average contribution for pension plans (excluding in most cases profit sharing and thrift plans) of 8% of payroll during 1977 fiscal years. This same J&H survey showed pension costs, on the average, to be 12.4% of pretax profits.

The Harris survey shows that 98% of business leaders think their plans are adequately funded. However, 16% consider unfunded liabilities as a major concern for their company. The J&H survey shows that 27% of the sample of Fortune 500 companies had no unfunded vested liabilities at all; three-quarters had unfunded vested liabilities of less than 10% of net worth and only 5% had unfunded vested liabilities of 30% or more of net worth. Unfunded liabilities (vested plus non-vested) were less than 10% of net worth for 52% of the sample of Fortune 500 companies. There were only 9% with unfunded liabilities of 30% or more of net worth.

The overall conclusion is that private pension plans are, on the whole, adequately funded and are likely to remain so. The minimum funding requirements of ERISA and the guarantees of the Pension Benefit Guaranty Corporation are additional safeguards.

Public Pension Plans

There is substantial agreement that public pension plans should be funded on the same basis as private pension plans. This opinion was expressed by 66% of all current and retired employees, 69% of employees covered by public plans and 90% of business leaders. In our view, national policy should be directed at requiring minimum funding standards for public pension plans. It is hoped that any constitutional issues can be overcome in addressing this issue.

Social Security

Social Security funding problems continue to be of major concern. The American public does understand that benefits are being paid from current Social Security taxes — only 8% labor under the formerly widespread delusion that their taxes are set aside in their own account. There is a crisis of confidence among employees which leads to doubt that the Social Security system will pay their benefits when they retire. This attitude is most pronounced at the younger ages but, in total, 42% of current employees (over 50% of those under age 35) have hardly any confidence in receiving these benefits. This minimum confidence in receiving benefits is matched by a lack in confidence that future working generations will be willing to pay higher Social Security taxes to support those benefits — again 41% of current and retired employees have hardly any confidence. The assessment here is probably right on target as witnessed by the present stiffening of resistance to the tax increases mandated by the 1977 Amendments.

This reluctance of the American public to fund Social Security benefits by sharply increased payroll taxes is already leading to suggestions for alternate means of funding to support present and even increased benefit levels. Forty-seven percent (47%) of employees believe that funding for Social Security benefits should come partly from sources other than payroll taxes. Only 17% of business leaders agree with this attitude. Alternate sources include the possibility of general revenue tapping or, as some have suggested, the imposition of a value-added type of tax. Of course, it is difficult to see how general revenue can be a viable solution when, even in the best of times, the government manages to run high deficits. A value-added tax would be inflationary, just like diverting general revenues, and would merely mask the real problem — the benefits are too rich to pay to the demographic wave of future beneficiaries. A heavy use of non-payroll taxation could result in irresponsible election year goodies and perhaps the eventual demise of Social Security.

Conclusion

Johnson & Higgins is of the opinion that the real answer lies in the proper balancing of benefits and funding. Social Security benefits should be limited to a basic level of retirement benefits and funding by payroll taxes. It is not possible or practical to provide adequate retirement income to all Americans through the Social Security system. This fact should become a fundamental tenet of national policy. Responsibility for benefits over and above a basic level should be transferred to employers and employees. Expansion of pension plan coverage should be encouraged. Minimum funding standards should be applied to public as well as private plans.

The national confirmation of such a policy will go a long way toward solving our capital formation needs and will in turn help to assure the productive growth of our economy.

We urge the policymakers to move to this logical solution.

APPENDIX I

METHODOLOGY USED TO CONDUCT SURVEY

Fieldwork

All the data for this survey were collected from in-person interviews conducted by Harris interviewers, under the control and supervision of the Harris Field Director and Regional Supervisors. Fifteen percent of all interviews were validated by telephone to ensure that the interviews had been honestly and accurately carried out.

All the interviews with the leadership groups were carried out by executive interviewers belonging to the Harris executive field force, under the control of the Executive Field Director, in August 1978.

The Sample Design

A. The national cross-section of current and retired employees: The sample was designed to be representative of the adult civilian population 21 years or older, who are currently or were formerly full-time employees. It is restricted to the continental United States, excluding Alaska and Hawaii, and excluding those in prisons or hospitals. The sample design was based on updated census information on the population of each state, and on the population living in urbanized areas and in more rural areas throughout the country. The sample was stratified to ensure that it would reflect within one percentage point the actual proportion of those living in different regions and in different size of place areas (city, suburb, town, rural). Within each stratum the selection of the ultimate sampling unit (a cluster of adjacent households) was achieved by multi-stage cluster sampling. Within each of sixteen strata (four regions within four size of place categories) first states, then counties, then minor civil divisions and, where possible, census tracts and city blocks were selected proportional to census estimates of their respective populations.

In a proportional sample, the number of interviews that would be obtained with respondents who had retired from full-time work would have been too small for reliable analysis. Therefore, the cross-section contains an oversample of respondents retired from full-time work. The oversample was then statistically reweighted to its proportionate size within the larger sample. Thus, the cross-section is a proportionate representation of current and retired full-time employees.

Interviewers in the field were provided with detailed maps of the ultimate sampling units, and conducted interviews within the assigned respective areas. The national sample consisted of 200 such interviewing areas (sample points) throughout the country. At each sample point one respondent from each of eight different households was interviewed. At each household the respondent was chosen by means of a random selection pattern geared to the number of adults of each sex living in that household. The representativeness of the sample is shown in the following table:

PROFILE OF THE PUBLIC SAMPLE OF CURRENT AND RETIRED EMPLOYEES

	Number in Sample*	Weighted Percentage
	#	%
Total Public	*1,699*	*100*
*Region***		
East	493	29
Midwest	455	27
South	457	27
West	292	17
Size of Place		
Cities: central cities in urbanized areas (generally 50,000 or more)	528	31
Suburbs: urbanized areas outside central cities	491	29
Towns: other urban areas (generally 2,500 to 49,000)	290	17
Rural: anything not included above	388	23
Age		
21-24	151	9
25-34	380	23
35-49	438	25
50-64	425	24
65 and over	303	19
Race		
White	1,492	88
Non-white	195	11
Income		
Under $7,000	238	15
$7,000-$14,999	536	31
$15,000-$24,999	554	33
$25,000 and over	310	18
Sex		
Male	1,006	62
Female	690	38

*Subgroup totals do not always come to 1,699 because of some non-response.

**East includes: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and West Virginia.

Midwest includes: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

South includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

West includes: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

B. The leadership sample: The leadership sample consisted of a representative cross-section of 212 companies drawn from the Fortune 1250 listing and the *Dun and*

Bradstreet Million Dollar Directory. The sample was stratified and is representative of companies according to the number of people employed.

In each case the Chief Executive Officer was contacted and asked to designate someone who was felt to represent the company's views on pensions and retirement. Interviews were obtained as follows:

Number of Interviews	Position
31	President, Chief Executive Officer
16	Sr. VP or Executive VP
46	VP Personnel, Pensions or Benefits
14	VP Financial
10	Other VPs
65	Managers, Directors
9	Treasurer, Chief Financial Officer, Comptroller
5	Assistant Treasurer
5	Benefit Administrator/Officer
2	Assistant Secretary
1	Benefit Specialist
1	Employee Retirement & Welfare Coordinator
1	Assistant to President
1	Senior Specialist
1	Consultant to Investment Committee
1	General Counsel
3	No Specific Title Given (Blank)

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